

Message Text

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PAGE 01 BONN 05407 281641Z

ACTION NODS-00

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FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 6885

C O N F I D E N T I A L BONN 05407

NODIS

E.O. 11652: XGDS-1

TAGS: EFIN, EAID, PO, GW

SUBJECT: ECONOMIC ASSISTANCE TO PORTUGAL

REF: (A) STATE 64026; (B) BONN 5298

1. I DISCUSSED AID TO PORTUGAL WITH FINANCE MINISTER APEL TODAY AND STRESSED THE POINTS CONTAINED REFTEL A. APEL RESPONDED ALONG FAMILIAR LINES, I.E., NO FUNDS POSSIBLE OUT OF THE FEDERAL BUDGET, PORTUGAL ONLY ONE OF MANY PROBLEM COUNTRIES WITH OTHERS TO FOLLOW, GERMAN PREFERENCE FOR FINANCING AID TO PORTUGAL THROUGH IMF, ETC. STATE SECRETARY POEHL, WHO ATTENDED THE MEETING, INDICATED THAT HIS CONVERSATIONS WITH WITTEVEEN LEFT HIM SOMEWHAT MORE OPTIMISTIC ON TIMING OF FURTHER IMF ASSISTANCE THAN WE WERE. POEHL ALSO SAID THAT HE WOULD BE MEETING WITH UNDER SECRETARY COOPER AND TREASURY UNDER SECRETARY SOLOMON TONIGHT IN BASEL (AT A MEETING OF THE BELLAGIO GROUP) AND HOPED TO EXPLORE THE PROBLEM FURTHER WITH THEM THERE.

2. APEL SAID THAT AS FINANCE MINISTER, HE, OF COURSE, WAS PARTICULARLY RELUCTANT WHENEVER IT CAME TO THE EXPENDITURE OF GERMAN FUNDS. THAT WAS HIS JOB. OUR FEELING THAT THE IMF ROUTE WAS NOT A
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WORKABLE ALTERNATIVE AT THIS TIME, OF COURSE, FORCED HIM TO RECONSIDER HIS POSITION. HE ALSO WAS UNDER CONSIDERABLE PRESSURE FROM BRANDT AND OTHERS TO AID PORTUGAL. APEL STRESSED THAT HE WAS, OF COURSE, NOT IN A POSITION TO GIVE US THE GERMAN ANSWER TO OUR REQUEST -- THAT WAS A MATTER FOR THE CHANCELLOR OR THE FOREIGN MINISTER. HE, APEL, HAD NOT YET HAD A

CHANCE TO TALK TO CHANCELLOR SCHMIDT ABOUT
PORTUGAL, BUT REALIZED THAT HE MUST DO SO AND THAT
THE CHANCELLOR OWED PRESIDENT CARTER AN ANSWER TO
HIS LETTER.

3. POEHL SAID THAT HE REMAINED OPTIMISTIC THAT
SOMETHING COULD BE DONE. THERE MIGHT BE A NUMBER OF
WAYS, WHICH HOWEVER HE WAS NOT YET READY TO DISCUSS.
HE MENTIONED AS AN EXAMPLE THAT THE GERMAN CABINET
LAST WEEK APPROVED A VERY LARGE EXPORT GUARANTY FOR
PORTUGAL -- APEL INTERJECTED THAT HE HAD VOTED
AGAINST IT SINCE THERE WERE NO PROSPECTS OF IT EVER
BEING REPAID. (COMMENT: WHILE NEITHER SAID SO, THIS
OBVIOUSLY INVOLVES THE GERMAN NUCLEAR POWER PLANT
FOR PORTUGAL.)
STOESSEL

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